
Introduced by Senator Florez

February 21, 2003

An act to add Article 11 (commencing with Section 12640.21) to Chapter 2A of Part 6 of Division 2 of the Insurance Code, relating to mortgage guaranty insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 673, as introduced, Florez. Mortgage guaranty insurance: rates.

Existing law generally regulates mortgage guaranty insurance, as defined. Existing law requires that mortgage guaranty insurers make available a schedule of premium charges for each type of policy issued by the insurer.

This bill would provide, in addition, that no rate or premium for mortgage guaranty insurance may be used unless approved by the commissioner prior to its use. It would require that rates and premiums be determined by the application of factors that are substantially related to the risk of loss, and would place other specified limitations on rates and premiums. The bill would establish a procedure and timetable for rate approval, and would require the commissioner to adopt regulations implementing certain of these provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Article 11 (commencing with Section
- 2 12640.21) is added to Chapter 2A of Part 6 of Division 2 of the
- 3 Insurance Code, to read:
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Article 11. Rate Regulation

12640.21. (a) No rate or premium for mortgage guaranty insurance may be used unless approved by the commissioner prior to its use.

(b) Rates and premiums shall be determined by the application of factors that are substantially related to the risk of loss. The commissioner shall adopt regulations identifying the factors that insurers may use to set rates and premiums.

12640.22. (a) No rate shall be approved or remain in effect that is excessive, inadequate, unfairly discriminatory, or otherwise in violation of this chapter. In considering whether a rate is excessive, inadequate, or unfairly discriminatory, no consideration shall be given to the degree of competition, and the commissioner shall consider whether the rate mathematically reflects the insurance company's investment income.

(b) Every insurer that desires to change any rate shall file a complete rate application with the commissioner. A complete rate application shall include all data that the commissioner may require. The applicant shall have the burden of proving that the requested rate change is justified and meets the requirements of this article.

(c) (1) The commissioner shall notify the public of any application by an insurer for a rate change. The application shall be deemed approved 60 days after public notice unless one of the following is true:

(A) A consumer or his or her representative requests a hearing within 45 days of public notice and the commissioner grants the hearing, or determines not to grant the hearing and issues written findings in support of that decision.

(B) The commissioner on his or her own motion determines to hold a hearing.

(C) The proposed rate adjustment exceeds limits to be specified by the commissioner in regulations adopted pursuant to this section.

(2) In any event, a rate change application shall be deemed approved 180 days after the rate application is received by the commissioner unless that application has been disapproved by a final order of the commissioner subsequent to a hearing, or unless extraordinary circumstances, as defined by the commissioner,

1 exist. For purposes of this section, “received” means the date
2 delivered to the department.

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